

SOLICITORS REGULATION AUTHORITY
Minutes of the SRA Board meeting
held on 12 December 2023 at 09.00 via Microsoft Teams

Present: Anna Bradley (Chair)
Claire Bassett
Ann Harrison
Paul Loft
Rob McWilliam
Lisa Mayhew
Vikas Shah
Liz Smart
Selina Ullah
Nicola Williams

In attendance: Paul Philip, Aileen Armstrong, Juliet Oliver, Liz Rosser, Chris Handford, Benedict Fisher (for items 7 and 8), Paul Hastings (for item 7), Dominic Tambling

1 WELCOME AND APOLOGIES

1.1 The Chair welcomed Board members to the meeting. There were no apologies.

2 MINUTES OF THE PREVIOUS MEETING ON 12 SEPTEMBER 2023

2.1 The minutes of the meeting held on 12 September 2023 were approved as a true and accurate record.

3 MATTERS ARISING AND DECLARATIONS OF INTEREST

3.1 There were no matters arising that would not be covered elsewhere on the agenda. All actions due were completed or in hand.

3.2 Interests were as previously declared and available to view on the SRA website. Members would declare any additional particular interest in an individual item if necessary.

4 CHAIR'S UPDATE

4.1 The Chair and Chief Executive updated the Board on their appearance in front of the Justice Select Committee the previous week. Some additional information had been sent to the Committee to further explain our position on some of the matters it had been particularly interested in.

5 SRA BUDGET 2023/24

5.1 The Board was asked to consider an update of the 2023/24 budget, reflecting changes made since the draft budget had originally been prepared earlier in the year. The budget had been updated to reflect the firming up of the costs of delivering the activities planned in the year, providing resource to address emerging risks and where we had been able to identify savings.

- 5.2 The budget now predicted a surplus of almost £1.2M. In discussion Board members recognised that any surplus realised at the end of the year might be used to bolster reserves, reflecting our commitment to a level set by the reserves policy. They also asked that the Executive should consider how it might be used to help deliver activity that might otherwise be delayed due to new and competing priorities.
- 5.3 The Board noted that we had increased the expected income and expenditure relating to the Solicitors Qualifying Examination (SQE) in the budget to reflect the high number of candidates. Board members asked for thought to be given to how these figures might best be presented, given that they appeared to greatly increase our income and expenditure even though the vast majority of the funds simply passed through us to our SQE provider, Kaplan.
- 5.4 Board members also asked for assurance surrounding our systems for scrutinising and auditing SQE income and expenditure and that the forthcoming review of the reserves policy consider the impact this increased income and expenditure had on our required levels of reserves.
- 5.5 The Board noted that it was due to see Kaplan at its meeting in March 2024 and said that it would be timely to review its oversight and management of this important contract. This might form part of a wider piece of work on risks associated with third party suppliers being undertaken by the Audit and Risk Committee.
- 5.6 The Board also noted that we would maintain the current basis for recharging costs to the Compensation Fund for this financial year. A detailed assessment would be carried out of the drivers for expenditure relating to the Compensation Fund across the organisation and this would inform any change in the basis for recharging costs in future years.
- 5.7 Subject to these points, the Board noted the contents of the paper and the changes from the draft budget.

6 UPDATE ON THE INVESTIGATION AND ENFORCEMENT CONTINUOUS IMPROVEMENT PROGRAMME

- 6.1 The Board was asked to consider an update on the progress of the Investigation and Enforcement Continuous Improvement programme. An action plan had been discussed by the Board at its meeting on 12 September 2023 and published along with other Board papers.
- 6.2 The Board heard that overall we were making good progress against the targets in the action plan, but that constant focus and effort was needed to deliver the improvements we are committed to. The Board received updates on three key areas of the plan: timeliness, quality and customer service.
- 6.3 On timeliness, we had increased the rate at which the number of investigations which had been underway for more than 24 months was being reduced. Alongside this we had seen a reduction in “work in progress” and the average number of

investigation days, at the same time as undergoing a significant programme of training and bringing on new starters.

- 6.4 Our stretch target to resolve 70% of investigations within 10 months of assessment, which we were aiming to meet by June next year, stood at 59% in November. The Executive reported that we expected to see further improvements in timeliness through the first quarter of this financial year as a result of the new ways of working and increased resources and that regular updates on progress would be provided.
- 6.5 We are monitoring quality and customer service through a combination of quality checks carried out within the investigation team, by our external legal providers, and dip-sampling by our arm's length quality assurance team of both Investigation Plans and Notices. These provided some early assurance that the new ways of working were making a difference to the overall progression and quality of our enforcement action. Our new management information reporting had also given us a good level of assurance that the requirements for keeping parties updated in a timely way were being met. Further work to understand and measure improvements in these areas was planned for the new year.
- 6.6 In discussion, Board members congratulated the team on the progress being made and asked that future performance reports should include a visual presentation of the data in the paper, perhaps in the form of a dashboard. Board members noted the work being done on quality measures and asked for these to be further developed for eventual inclusion in a dashboard. This would include information on complaints being made through our corporate complaints processes. Board members also said that it would be helpful to see figures around recruitment and attrition rates.
- 6.7 The Board welcomed the overall progress and acknowledged the hard work of the teams involved. The Board also noted that we were due to report to the Legal Services Board (LSB) in June 2024 on our work in this area and would continue to engage with the LSB, including providing an update following this meeting.

NB: this paper will not be published because it relates to emerging strategy or policy.

7 CONSUMER PROTECTION AND THE COMPENSATION FUND

- 7.1 The Board was asked to consider proposals for reviewing our regulatory approach and arrangements in light of the changing profile of interventions and claims to the Compensation Fund.
- 7.2 The paper asked for the Board's steer in four main areas: what options should be considered within the review; the proposed process, including the use of external consultants; and the strategy for communicating and engaging on this work.
- 7.3 Board members agreed that we needed to take a very broad approach to this review in the first instance, albeit that as work progressed, some options would fall away as others were taken forward.

7.4 In discussion Board members said that:

- we should ensure that we have reference to what we were required to do on consumer protection by statute
- we should explore how regulators in other sectors, and internationally, addressed consumer protection issues
- detailed analysis of the nature of firms that failed would be important in making decisions about any future actions
- we should ensure that any future arrangements were appropriate for addressing the risks
- there were distinct elements in this work which related to what we might do to detect and mitigate fraud, which was suspected in the Axiom case, and what we might do to identify and mitigate other risks in the market, such as those arising from firm failures
- we should be clear publicly what changes we had already made in response to what we had learned from the Axiom case and what changes we were working on in the medium and longer term
- the use of external consultants would assist in gaining expertise, particularly from other sectors and jurisdictions, and in providing a degree of external validation of our work.

7.5 The Board also agreed that we should publish a statement in January 2024 setting out how we plan to progress the review and that this would be a phased approach, to ensure that we implemented changes as we went along where possible and could say which options were being discounted and which pursued. The statement should include information on historic contributions to the Compensation Fund and other contextual information.

7.6 Subject to the points above, the Board agreed the proposed scope of the review and the proposed process for carrying out the review.

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8 REVIEW OF MEETING AND ANY OTHER BUSINESS

8.1 The Board received an update on our consultation on proposed changes to our regulatory arrangements to enable us to regulate CILEX members in the event that CILEX decides to proceed with redelegation. The consultation had closed on 22 November 2023 and the Board would be asked to consider responses to the consultation and next steps at its meeting on 23 January 2024.

8.2 The Chair asked the Board to submit any observations on a note on prioritisation of policy work which had been circulated at the beginning of the month.

- 8.3 The Board also had a further discussion on our intervention into Axiom Ince and in particular what we had learned so far from our investigation and analysis, which was ongoing. The Board was informed that work was continuing to address further issues, including on the period from the time when we intervened into the practices of the three individuals until we intervened into the whole firm. An update on progress would be provided at the 23 January 2024 Board meeting.
- 8.4 The Board also received a report on a cyber incident involving a firm called CTS which provided IT services for law firms. Although the situation was still being reviewed it appeared that most of the affected firms had business continuity plans in place which had minimised the impact of the problems. The Board agreed though that it was important to reinforce the importance of having such systems in place and for firms to notify us if affected by cyber incidents. The Board also asked the Executive to consider a review of potential risks where providers supplied services to a significant number of firms.
- 8.5 The Chair thanked the Board and Executive for their contributions. The next meeting would be held on 23 January 2024 in London.